

Message Text

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FOR EUR/CE - BRUCE FLATIN

E.O. 11652: GDS

TAGS: PFOR OVIP (KREISKY, BRUNO) AU

SUBJECT: KREISKY VISIT TO US: BACKGROUND PAPER --
AUSTRIAN--EC ARRANGEMENTS

REF: VIENNA 8873

1. BECAUSE AUSTRIAN TRADE IS SO HEAVILY ORIENTED TOWARD THE EC, AND PARTICULARLY GERMANY, AUSTRIAN GOVERNMENTS FOR OVER A DECADE HAVE REGARDED A TRADE ARRANGEMENT WITH THE EC AS ESSENTIAL. IN 1972 AN AGREEMENT WITH THE EC WAS FINALLY SIGNED. ON THE BASIS OF THIS ARRANGEMENT, TARIFFS ON INDUSTRIAL GOODS WITH THE EXCEPTION OF A FEW "SENSITIVE PRODUCTS" (PAPER AND PAPER PRODUCTS, CERTAIN METALS AND CHEMICALS) WILL BE REDUCED IN STAGES TO ZERO BY 1977. TARIFF REDUCTIONS ON THE SENSITIVE PRODUCTS WILL BE SPREAD OVER A LONGER PERIOD. OTHER WESTERN EUROPEAN NEUTRAL NATIONS, INCLUDING SWEDEN AND SWITZERLAND, HAVE CONCLUDED SIMILAR AGREEMENTS WITH THE EC.

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2. OUR LONG-STANDING POSITION, WHICH WE HAVE CONVEYED

MANY TIMES TO THE AUSTRIANS, IS THAT WE RECOGNIZE THE AUSTRIAN CASE AS SUI GENERIS BECAUSE OF AUSTRIA'S SPECIAL NEUTRALITY POSITION UNDER THE STATE TREATY, TO WHICH THE UNITED STATES IS A PARTY. AT THE SAME TIME, HOWEVER, WE EXPECT ANY AUSTRIAN-EC ARRANGEMENTS TO BE IN ACCORDANCE WITH AUSTRIA'S GATT OBLIGATIONS AND TAKE FULLY INTO ACCOUNT OUR TRADE INTERESTS.

3. SINCE THE UNITED STATES AND OTHER THIRD COUNTRIES DO NOT BENEFIT FROM THE TARIFF REDUCTIONS INVOLVED IN THE AUSTRIA-EC ARRANGEMENT, US GOODS IN THE AUSTRIAN MARKET WILL BE PLACED INCREASINGLY AT A DISADVANTAGE VIS-A-VIS OUR MAJOR COMPETITORS IN WESTERN EUROPE. OFFSETTING THESE DISADVANTAGES TO SOME EXTENT ARE THE EXCHANGE RATE CHANGES IN RECENT YEARS THAT HAVE RESULTED EFFECTIVELY IN A DEVALUATION OF THE DOLLAR VIS-A-VIS THE AUSTRIAN SCHILLING APPROACHING 30 PERCENT. TO THE EXTENT THAT THE NEXT ROUND OF TARIFF NEGOTIATIONS IN THE GATT MAY BRING DOWN TARIFFS ACROSS THE BOARD, THE ADVERSE EFFECTS OF THE AUSTRIAN-EC ARRANGEMENTS ON US GOODS WOULD BE CORRESPONDINGLY REDUCED.

4. AUSTRIA IS ALSO A MEMBER OF EFTA (THE EUROPEAN FREE TRADE AREA), WHICH PROVIDES FOR DUTY FREE TREATMENT ON INDUSTRIAL PRODUCTS EXCHANGED AMONG ITS MEMBERS. HUMES

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